

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2013

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**Lynnville-Sully Community School District
Board of Education and School District Officials
Year Ended June 30, 2013**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2012 Election)		
Michael Rozendaal	President	2013
Tim Dunsbergen	Vice President	2013
Duane Rozendaal	Board Member	2015
John Terpstra	Board Member	2015
Matt Zylstra	Board Member	2015
(After September 2012 Election)		
John Terpstra	President	2015
Duane Rozendaal	Vice President	2015
Tim Dunsbergen	Board Member	2013
Michael Rozendaal	Board Member	2013
Matt Zylstra	Board Member	2015
School District Officials		
Shane Ehresman	Superintendent	2013
Karla De Cook	Business Manager/District Secretary	2013
Kyle Terpstra	District Treasurer	2013
Brian Gruhn	Attorney	2013



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Van Maanen, Sietstra & Meyer, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Lynnville-Sully Community School District
Sully, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Lynnville-Sully Community School District, Sully, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Lynnville-Sully Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 11 and 36 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lynnville-Sully Community School District's basic financial statements. Another CPA firm previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ending June 30, 2005 and we audited the financial statements for the seven years ended June 30, 2012, (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 30, 2013, on our consideration of the Lynnville-Sully Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lynnville-Sully Community School District's internal control over financial reporting and compliance.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

October 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Lynnville-Sully Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,773,992 in fiscal 2012 to \$4,706,455 in fiscal 2013, while General Fund expenditures increased from \$4,318,833 in fiscal 2012 to \$4,636,505 in fiscal 2013. The District's General Fund balance increased from \$1,156,193 in fiscal 2012 to \$1,226,143 in fiscal 2013, a 6% increase.
- The decrease in General Fund revenues was attributable to less federal money received. The increase in expenditures was due primarily to an increase in salary and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Lynnville-Sully Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lynnville-Sully Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lynnville-Sully Community School District acts solely as an agent or custodian for the benefit of those outside of the district.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

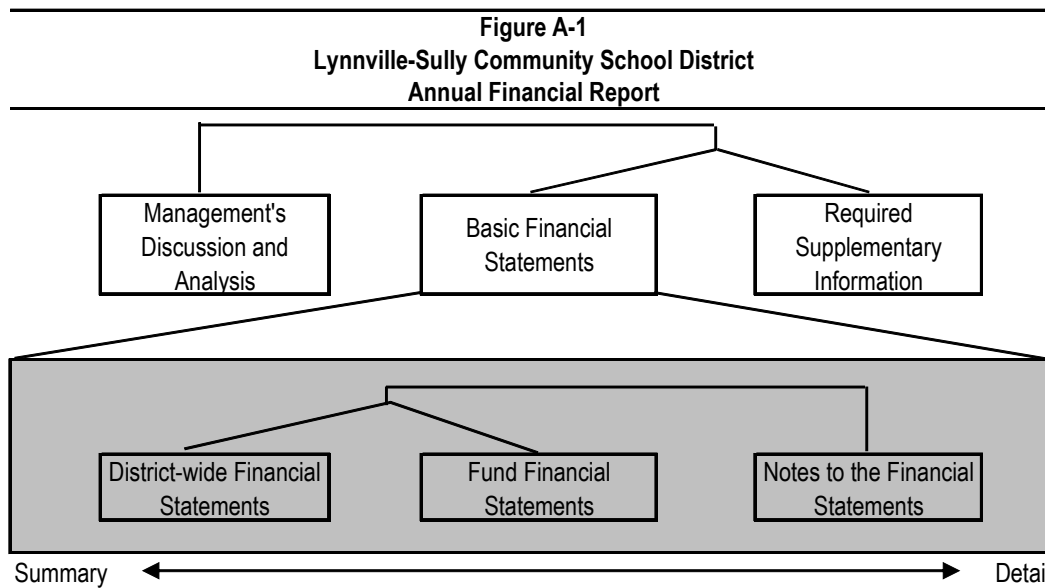


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services
Required Financial Statements	* Statement of Net Position * Statement of activities	* Balance Sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of Net Position * Statement of revenues, expenses and changes in fund Net Position * Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The district has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

**Lynnville-Sully Community School District
Management's Discussion and Analysis
Year ended June 30, 2013**

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

**Figure A-3
Condensed Statement of Net Position
(Expressed in Thousands)**

	Governmental Activities June 30,		Business type Activities June 30,		Total District June 30,		Total Change June 30, 2012-2013
	2013	2012	2013	2012	2013	2012	
Current and other assets	\$ 4,971	4,852	43	49	5,014	4,901	2.3%
Capital assets	5,471	5,740	18	21	5,489	5,761	-4.7%
Total assets	10,442	10,592	61	70	10,503	10,662	-1.5%
Long-term liabilities	2,965	3,225	-	-	2,965	3,225	-8.1%
Other liabilities	2,841	2,798	-	4	2,841	2,802	1.4%
Total liabilities	5,806	6,023	-	4	5,806	6,027	-3.7%
Net Position:							
Invested in capital assets, net of related debt	2,516	2,545	18	21	2,534	2,566	-1.2%
Restricted	1,025	1,016	-	-	1,025	1,016	0.9%
Unrestricted	1,095	1,008	43	45	1,138	1,053	8.1%
Total Net Position	\$ 4,636	4,569	61	66	4,697	4,635	1.3%

The District's combined net position increased by nearly 1.3%, or approximately \$62,000, over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$9,127, or .9% from the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$85,486 or 8%. This increase in unrestricted net position was primarily a result of a cash reserve levy.

**Lynnville-Sully Community School District
Management's Discussion and Analysis
Year ended June 30, 2013**

Figure A-4 shows the change in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4 Changes in Net Position (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Program revenues:							
Charges for service	\$ 720	679	186	181	906	860	5.3%
Operating grants, contributions and restricted interest	739	780	72	75	811	855	-5.1%
General revenues:							
Property tax	2,284	2,297	-	-	2,284	2,297	-0.6%
Statewide sales, service and use tax	381	344	-	-	381	344	10.8%
Unrestricted state grants	1,580	1,650	-	-	1,580	1,650	-4.2%
Unrestricted investment earnings	9	11	-	-	9	11	-18.2%
Other	94	108	-	-	94	108	-13.0%
Total revenues	5,807	5,869	258	256	6,065	6,125	-1.0%
Program expenses:							
Governmental activities:							
Instruction	3,533	3,366	-	-	3,533	3,366	5.0%
Support services	1,670	1,477	-	-	1,670	1,477	13.1%
Non-instructional programs	1	1	263	267	264	268	-1.5%
Other expenses	536	411	-	-	536	411	30.4%
Total expenses	5,740	5,255	263	267	6,003	5,522	8.7%
Change in Net Position	\$ 67	614	(5)	(11)	62	603	-89.7%

In fiscal 2013, property tax and unrestricted state grants account for 67% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,807,606 and expenses were \$5,740,206.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services		Change	Net Cost of Services		Change
	2013	2012	2012-2013	2013	2012	2012-2013
Instruction	\$ 3,533	3,366	5.0%	\$ 2,253	2,084	8.1%
Support services	1,670	1,477	13.1%	1,655	1,463	13.1%
Non-instructional programs	1	1	0.0%	1	1	0.0%
Other expenses	536	411	30.4%	372	247	50.6%
Totals	\$ 5,740	5,255	9.2%	\$ 4,281	3,795	12.8%

**Lynnville-Sully Community School District
Management's Discussion and Analysis
Year ended June 30, 2013**

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$4,281,159.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$738,892.
- The net cost of governmental activities was financed with \$2,665,232 in property and other taxes and \$1,580,029 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$258,179 representing a .3% increase over the prior year, while expenses totaled \$263,476, a 1.4% decrease over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Lynnville-Sully Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,141,100 up from last year's ending fund balances of \$2,054,299.

Governmental Fund Highlights

- The General Fund balance increased from \$1,156,193 to \$1,226,143 due in part to the cash reserve levy.
- The Physical Plant and Equipment Levy (PEEL) Fund balance increased from a balance of \$212,153 in fiscal 2012 to a balance of \$274,332 in fiscal 2013.
- The Capital Projects Fund balance decreased from \$727,122 in fiscal 2012 to \$707,028 in fiscal 2013.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$66,598 at June 30, 2012 to \$61,301 at June 30, 2013, representing a decrease of approximately 8.0%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$116,761 higher than budgeted, a variance of 2%. The most significant variance resulted from the District receiving more in non-public special education services, open enrollment tuition and local option sales tax than budgeted.

Total expenditures were less than budgeted, due primarily to the District's budget for the instruction and support services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$5.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$319,636.

The original cost of the District's capital assets was approximately \$10.2 million. Governmental funds account for approximately \$10 million, with the remainder of approximately \$0.2 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$8,266,639 at June 30, 2013, compared to \$8,242,502 at June 30, 2012.

**Lynnvile-Sully Community School District
Management's Discussion and Analysis
Year ended June 30, 2013**

**Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$ 116	116	-	-	116	116	0.0%
Construction in progress	-	-	-	-	-	-	-
Buildings	4,776	4,996	-	-	4,776	4,996	-4.4%
Improvements other than buildings	218	222	-	-	218	222	-1.8%
Furniture and equipment	361	406	18	21	379	427	-11.2%
Totals	\$ 5,471	5,740	18	21	5,489	5,761	-4.7%

Long-Term Debt

At June 30, 2013 the District had \$2,965,000 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 8.1% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

**Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)**

	Total District June 30,		Change June 30,
	2013	2012	2012-2013
General obligation bonds	\$ 1,605	1,790	-10.3%
Revenue bonds	1,350	1,405	-
Early retirement	10	30	-66.7%
Totals	\$ 2,965	3,225	-8.1%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- The district expects increased special education costs due to increased special education needs including one-on-one associates.
- The district will negotiate a new agreement with the LSEA for fiscal year 2013-2014. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's general fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Karla De Cook, District Secretary/Treasurer and Business Manager, Lynnvile-Sully Community School District, Sully, Iowa, 50251.

Basic Financial Statements

Lynnville-Sully Community School District
Statement of Net Position
June 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,280,351	41,124	2,321,475
Receivables:			
Property tax:			
Delinquent	13,311	-	13,311
Succeeding year	1,967,403	-	1,967,403
Income surtax	246,268	-	246,268
Accounts	17,701	-	17,701
Due from other governments	436,303	-	436,303
Inventories	-	2,132	2,132
Bond issuance costs, net of accumulated amortization	9,940	-	9,940
Capital assets, net of accumulated depreciation	5,471,076	18,045	5,489,121
Total assets	10,442,353	61,301	10,503,654
Liabilities			
Accounts payable	190,577	-	190,577
Salaries and benefits payable	405,989	-	405,989
Accrued interest payable	30,743	-	30,743
Deferred revenue:			
Succeeding year property tax	1,967,403	-	1,967,403
Income surtax	246,268	-	246,268
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	190,000	-	190,000
Revenue bonds	55,000	-	55,000
Early retirement	10,000	-	10,000
Portion due after one year:			
General obligation bonds	1,415,000	-	1,415,000
Revenue bonds	1,295,000	-	1,295,000
Total liabilities	5,805,980	-	5,805,980
Net Position			
Net investment in capital assets	2,516,076	18,045	2,534,121
Restricted for:			
Categorical funding	141,176	-	141,176
Debt service	206,280	-	206,280
Management levy purposes	9,514	-	
Student activities	179,263	-	179,263
Physical plant and equipment levy	274,332	-	274,332
Capital projects	226,416	-	226,416
Unrestricted	1,083,316	43,256	1,126,572
Total net position	\$ 4,636,373	61,301	4,697,674

See notes to financial statements.

Lynnville-Sully Community School District
Statement of Activities
Year ended June 30, 2013

	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,095,737	320,654	328,069	(1,447,014)	-	(1,447,014)
Special instruction	704,981	82,200	228,325	(394,456)	-	(394,456)
Other instruction	732,127	317,301	3,422	(411,404)	-	(411,404)
	<u>3,532,845</u>	<u>720,155</u>	<u>559,816</u>	<u>(2,252,874)</u>	<u>-</u>	<u>(2,252,874)</u>
Support Services:						
Student	102,168	-	-	(102,168)	-	(102,168)
Instructional staff	234,432	-	-	(234,432)	-	(234,432)
Administration	617,740	-	-	(617,740)	-	(617,740)
Operating and maintenance of plant	407,120	-	-	(407,120)	-	(407,120)
Transportation	308,850	-	15,038	(293,812)	-	(293,812)
	<u>1,670,310</u>	<u>-</u>	<u>15,038</u>	<u>(1,655,272)</u>	<u>-</u>	<u>(1,655,272)</u>
Non-instructional programs	<u>1,337</u>	<u>-</u>	<u>-</u>	<u>(1,337)</u>	<u>-</u>	<u>(1,337)</u>
Other expenditures:						
Facilities acquisition	274,265	-	-	(274,265)	-	(274,265)
Long-term debt interest	97,411	-	-	(97,411)	-	(97,411)
AEA flowthrough	164,038	-	164,038	-	-	-
	<u>535,714</u>	<u>-</u>	<u>164,038</u>	<u>(371,676)</u>	<u>-</u>	<u>(371,676)</u>
Total governmental activities	<u>5,740,206</u>	<u>720,155</u>	<u>738,892</u>	<u>(4,281,159)</u>	<u>-</u>	<u>(4,281,159)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	263,476	185,918	72,166	-	(5,392)	(5,392)
	<u>263,476</u>	<u>185,918</u>	<u>72,166</u>	<u>-</u>	<u>(5,392)</u>	<u>(5,392)</u>
Total primary government	<u>\$ 6,003,682</u>	<u>906,073</u>	<u>811,058</u>	<u>(4,281,159)</u>	<u>(5,392)</u>	<u>(4,286,551)</u>

Exhibit B

Lynnville-Sully Community School District
Statement of Activities
Year ended June 30, 2013

	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Totals continued from previous pages	\$ 6,003,682	906,073	811,058	(4,281,159)	(5,392)	(4,286,551)
General Revenues:						
Property tax levied for:						
General purposes				1,995,065	-	1,995,065
Debt service				122,148	-	122,148
Capital outlay				167,070	-	167,070
Statewide sales, services and use tax				380,949	-	380,949
Unrestricted state grants				1,580,029	-	1,580,029
Unrestricted investment earnings				8,883	95	8,978
Other				55,564	-	55,564
Contributions not restricted to specific programs				38,851	-	38,851
Total general revenues				4,348,559	95	4,348,654
Change in net position				67,400	(5,297)	62,103
Net position beginning of year				4,568,973	66,598	4,635,571
Net position end of year				\$ 4,636,373	61,301	4,697,674

See notes to financial statements.

Exhibit C

Lynnville-Sully Community School District
Balance Sheet
Governmental Funds
June 30, 2013

	General	Debt Service	Capital Projects	Non-major	Total
Assets					
Cash and pooled investments	\$ 1,483,347	18,352	584,886	193,766	2,280,351
Receivables:					
Property tax:					
Delinquent	11,264	800	692	555	13,311
Succeeding year	1,513,694	215,660	113,049	125,000	1,967,403
Income surtax	184,701	-	61,567	-	246,268
Accounts	-	-	-	17,701	17,701
Due from other governments	295,173	-	141,130	-	436,303
Total assets	\$ 3,488,179	234,812	901,324	337,022	4,961,337
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 157,652	-	19,680	13,245	190,577
Salaries and benefits payable	405,989	-	-	-	405,989
Early retirement payable	-	-	-	10,000	10,000
Deferred revenue:					
Succeeding year property tax	1,513,694	215,660	113,049	125,000	1,967,403
Income surtax	184,701	-	61,567	-	246,268
Total liabilities	2,262,036	215,660	194,296	148,245	2,820,237
Fund balances:					
Restricted for:					
Categorical funding	141,176	-	-	-	141,176
Debt service	-	19,152	206,280	-	225,432
Management levy purposes	-	-	-	9,514	9,514
Student activities	-	-	-	179,263	179,263
School infrastructure	-	-	226,416	-	226,416
Physical plant and equipment	-	-	274,332	-	274,332
Unassigned	1,084,967	-	-	-	1,084,967
Total fund balances	1,226,143	19,152	707,028	188,777	2,141,100
Total liabilities and fund balances	\$ 3,488,179	234,812	901,324	337,022	4,961,337

See notes to financial statements.

Exhibit D

**Lynnville-Sully Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
June 30, 2013**

Total fund balances of governmental funds (Exhibit C)	\$ 2,141,100
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***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,471,076
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Long-term liabilities, including bonds payable, bond issuance costs, accrued interest, early retirement, and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Those liabilities at year-end consist of:

General obligation bonds payable	\$ (1,605,000)	
Revenue bonds payable	(1,350,000)	
Bond issuance costs	9,940	
Accrued interest	(30,743)	
Early retirement	(10,000)	
Portion of early retirement reflected on governmental funds	10,000	(2,975,803)

Net position of governmental activities (Exhibit A)	\$ 4,636,373
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See notes to financial statements.

Exhibit E

Lynnville-Sully Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2013

	General	Debt Service	Capital Projects	Non-major	Total
Revenues:					
Local sources:					
Local tax	\$ 1,909,984	122,148	548,019	85,081	2,665,232
Tuition	389,910	-	-	-	389,910
Other	87,640	305	11,165	334,433	433,543
State sources	2,199,544	-	-	-	2,199,544
Federal sources	119,377	-	-	-	119,377
Total revenues	4,706,455	122,453	559,184	419,514	5,807,606
Expenditures:					
Current:					
Instruction:					
Regular	2,001,393	-	6,234	26,591	2,034,218
Special	664,174	-	-	-	664,174
Other	372,096	-	-	313,783	685,879
	3,037,663	-	6,234	340,374	3,384,271
Support services:					
Student	71,174	-	-	1,069	72,243
Instructional staff	172,721	-	3,805	776	177,302
Administration	607,490	-	-	5,475	612,965
Operation and maintenance of plant	326,044	-	41,863	34,714	402,621
Transportation	257,375	-	-	13,161	270,536
	1,434,804	-	45,668	55,195	1,535,667
Non-instructional programs	-	-	-	1,337	1,337
Other expenditures:					
Facilities acquisition	-	-	298,402	-	298,402
Long-term debt:					
Principal	-	240,000	-	-	240,000
Interest and fiscal charges	-	95,090	2,000	-	97,090
AEA flowthrough	164,038	-	-	-	164,038
	164,038	335,090	300,402	-	799,530
Total expenditures	4,636,505	335,090	352,304	396,906	5,720,805
Excess (deficiency) of revenues over (under) expenditures	69,950	(212,637)	206,880	22,608	86,801
Other financing sources (uses):					
Operating transfers in (out)	-	211,450	(226,974)	15,524	-
Total other financing sources	-	211,450	(226,974)	15,524	-
Net change in fund balances	69,950	(1,187)	(20,094)	38,132	86,801
Fund balances beginning of year	1,156,193	20,339	727,122	150,645	2,054,299
Fund balances end of year	\$ 1,226,143	19,152	707,028	188,777	2,141,100

See notes to financial statements.

Exhibit F

Lynnville-Sully Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2013

Net change in fund balances - total governmental funds (Exhibit E) **\$ 86,801**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 50,556	
Depreciation expense	<u>(319,636)</u>	(269,080)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

GO bonds repaid	185,000	
Revenue bonds repaid	55,000	
Amortization of bond issuance costs	<u>(1,269)</u>	238,731

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		<u>10,000</u>
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Change in net position of governmental activities (Exhibit B) **\$ 67,400**

See notes to financial statements.

Exhibit G

**Lynnville-Sully Community School District
Statement of Net Position
Proprietary Fund
June 30, 2013**

	School Nutrition
Assets	
Current assets:	
Cash and cash equivalents	\$ 41,124
Inventories	2,132
Total current assets	<u>43,256</u>
Non-current assets:	
Property and equipment:	
Machinery and equipment	149,554
Accumulated depreciation	<u>(131,509)</u>
Total non-current assets	<u>18,045</u>
Total assets	<u><u>61,301</u></u>
Liabilities	
Current liabilities:	
Total current liabilities	<u>-</u>
Total liabilities	<u>-</u>
Net Position	
Invested in capital assets	18,045
Unrestricted	<u>43,256</u>
Total net position	<u><u>\$ 61,301</u></u>

See notes to financial statements.

Exhibit H

Lynnville-Sully Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year ended June 30, 2013

	School Nutrition
Operating revenue:	
Local sources:	
Charges for services	\$ 185,918
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	102,631
Benefits	30,517
Purchased services	2,985
Supplies	123,797
Depreciation	3,430
Other	116
Total operating expenses	263,476
Operating loss	(77,558)
Non-operating revenue:	
Interest income	95
State sources	2,027
Federal sources	70,139
Total non-operating revenue	72,261
Change in net position	(5,297)
Net position beginning of year	66,598
Net position end of year	\$ 61,301

See notes to financial statements.

Exhibit I

Lynnville-Sully Community School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 185,918
Cash payments to employees for services	(133,225)
Cash payments to suppliers for goods or services	(113,370)
Net cash used by operating activities	<u>(60,677)</u>
Cash flows from non-capital financing activities:	
State grants received	2,027
Federal grants received	53,619
Net cash provided by non-capital financing activities	<u>55,646</u>
Cash flows from investing activities:	
Interest on investments	<u>95</u>
Net decrease in cash and cash equivalents	(4,936)
Cash and cash equivalents at beginning of year	<u>46,060</u>
Cash and cash equivalents at end of year	<u><u>\$ 41,124</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (77,558)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	16,520
Depreciation	3,430
Decrease in inventories	375
(Decrease) in salaries and benefits payable	(77)
(Decrease) in accounts payable	(3,367)
Net cash used by operating activities	<u><u>\$ (60,677)</u></u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	\$ 41,124
Cash and cash equivalents at year end	<u><u>\$ 41,124</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$16,520 of federal commodities.

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

Lynnvile-Sully Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Lynnvile, Sully, Searsboro and Killduff, Iowa and the predominate agricultural territory in Jasper, Poweshiek and Mahaska counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Lynnvile-Sully Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Lynnvile-Sully Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jasper County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise fund of the District is considered non-major:

School Nutrition Fund: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 3,500
Buildings	3,500
Improvements other than buildings	3,500
Furniture and equipment	3,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of the succeeding year's property tax receivable and income surtax receivable not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of the succeeding year's property tax receivable and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Position - In the government-wide Statement of Net Position, Net Position are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 211,450
Activity Fund	Capital Projects	15,524

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 116,125	-	-	116,125
Total capital assets not being depreciated	116,125	-	-	116,125
Capital assets being depreciated:				
Buildings	8,242,502	24,137	-	8,266,639
Improvements other than buildings	391,111	-	-	391,111
Furniture and equipment	1,613,118	26,419	-	1,639,537
Total capital assets being depreciated	10,246,731	50,556	-	10,297,287
Less accumulated depreciation for:				
Buildings	3,246,983	244,090	-	3,491,073
Improvements other than buildings	168,792	4,250	-	173,042
Furniture and equipment	1,206,925	71,296	-	1,278,221
Total accumulated depreciation	4,622,700	319,636	-	4,942,336
Total capital assets being depreciated, net	5,624,031	(269,080)	-	5,354,951
Governmental activities capital assets, net	\$ 5,740,156	(269,080)	-	5,471,076
Business type activities:				
Furniture and equipment	\$ 149,554	-	-	149,554
Less accumulated depreciation	128,079	3,430	-	131,509
Business type activities capital assets, net	\$ 21,475	(3,430)	-	18,045

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 97,938
Special	40,807
Other	46,248

Support services:

Student services	29,925
Instructional staff	57,130
Administration	4,775
Operation and maintenance of plant	4,499
Transportation	38,314

Total governmental activities depreciation expense

\$ 319,636

Business type activities:

Food services

\$ 3,430

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,790,000	-	185,000	1,605,000	190,000
Revenue bonds	1,405,000	-	55,000	1,350,000	55,000
Early retirement	30,000	-	20,000	10,000	10,000
Total	\$ 3,225,000	-	260,000	2,965,000	255,000

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Bond Issue of May 1, 2011				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2014	1.15%	\$ 190,000	35,160	225,160
2015	1.50%	185,000	32,975	217,975
2016	1.85%	190,000	30,200	220,200
2017	2.10%	195,000	26,685	221,685
2018	2.35%	200,000	22,590	222,590
2019	2.55%	205,000	17,890	222,890
2020	2.75%	215,000	12,662	227,662
2021	3.00%	225,000	6,750	231,750
Total		\$ 1,605,000	184,912	1,789,912

Revenue Bonds

Details of the Districts' June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of April 1, 2010				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2014	3.00%	\$ 55,000	54,800	109,800
2015	3.50%	55,000	53,150	108,150
2016	3.50%	60,000	51,275	111,275
2017	3.50%	60,000	49,175	109,175
2018	3.50%	65,000	46,988	111,988
2019	3.88%	65,000	44,712	109,712
2020	3.88%	70,000	42,219	112,219
2021	4.25%	70,000	39,506	109,506
2022	4.25%	75,000	36,556	111,556
2023	4.25%	75,000	33,369	108,369
2024	4.25%	80,000	30,075	110,075
2025	4.25%	85,000	26,569	111,569
2026	4.70%	85,000	22,956	107,956
2027	4.70%	90,000	19,035	109,035
2028	4.70%	95,000	14,688	109,688
2029	4.70%	100,000	10,105	110,105
2030	4.70%	165,000	5,287	170,287
Total		\$ 1,350,000	580,465	1,930,465

The District has pledged future statewide sales, services and use tax revenues for the purpose of construction. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$1,930,465. For the current year, \$111,450 principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$380,949.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$123,469 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District complied with all of the provisions during the year ended June 30, 2013.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$242,928, \$216,056, and \$190,609, respectively, equal to the required contributions for each year.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for employees and retirees and their spouses. There are 70 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual OPEB cost	\$	16,989
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost		16,989
Contributions made		(16,989)
(Decrease) in net OPEB obligation		-
Net OPEB obligation beginning of year		-
Net OPEB obligation end of year	\$	-

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$16,989 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 42,960	93.02%	-
June 30, 2012	42,960	100.00%	-
June 30, 2013	16,989	100.00%	-

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$102,244, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$102,244. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,855,000, and the ratio of the UAAL to covered payroll was 3.5%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 3%. The ultimate medical trend rate is 3%. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Termination Benefits

The District offered a voluntary early retirement plan to its employees. Eligible employees must have completed at least 25 years of continuous service to the District and must have reached the age of fifty-five on or before June 30, 2013. The application for early retirement was subject to approval by the Board of Education.

The employee shall receive a total benefit of \$30,000 payable in six installments over a three year period. At June 30, 2013, the District had obligations to two participants with a total liability of \$10,000.

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$164,038 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Required Supplementary Information

Lynnville-Sully Community School District
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance- Positive (Negative)
Revenues:					
Local sources	\$ 3,488,685	186,013	3,674,698	3,237,003	437,695
State sources	2,199,544	2,027	2,201,571	2,523,021	(321,450)
Federal sources	119,377	70,139	189,516	189,000	516
Total revenues	5,807,606	258,179	6,065,785	5,949,024	116,761
Expenditures:					
Instruction	3,384,271	-	3,384,271	3,867,964	483,693
Support services	1,535,667	-	1,535,667	1,762,419	226,752
Non-instructional programs	1,337	263,476	264,813	329,475	64,662
Other expenditures	799,530	-	799,530	1,221,483	421,953
Total expenditures	5,720,805	263,476	5,984,281	7,181,341	1,197,060
Excess (deficiency) of revenues over (under) expenditures	86,801	(5,297)	81,504	(1,232,317)	1,313,821
Balances beginning of year	2,054,299	66,598	2,120,897	881,000	1,239,897
Balances end of year	\$ 2,141,100	61,301	2,202,401	(351,317)	2,553,718

See accompanying independent auditor's report.

Lynnvile-Sully Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year ended June 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

Lynnville-Sully Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information
Year ended June 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	418,000	418,000	0.0%	2,600,000	16.1%
2011	July 1, 2009	-	418,000	418,000	0.0%	2,600,000	16.1%
2012	July 1, 2009	-	418,000	418,000	0.0%	2,600,000	16.1%
2013	July 1, 2012	-	102,244	102,244	0.0%	2,885,000	3.5%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Schedule 1

Lynnville-Sully Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 18,959	174,807	193,766
Receivables:			
Property tax:			
Delinquent	555	-	555
Succeeding year	125,000	-	125,000
Accounts	-	17,701	17,701
Total assets	\$ 144,514	192,508	337,022
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	13,245	13,245
Early retirement payable	10,000	-	10,000
Deferred revenue:			
Succeeding year property tax	125,000	-	125,000
Total liabilities	135,000	13,245	148,245
Fund balances:			
Restricted for:			
Management levy purposes	9,514	-	9,514
Student activities	-	179,263	179,263
Total fund balances	9,514	179,263	188,777
Total liabilities and fund balances	\$ 144,514	192,508	337,022

See accompanying independent auditor's report.

Schedule 2

Lynnville-Sully Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2013

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 85,081	-	85,081
Other	38	334,395	334,433
State sources	-	-	-
Total revenues	85,119	334,395	419,514
Expenditures:			
Current:			
Instruction:			
Regular	26,591	-	26,591
Other	-	313,783	313,783
Support Services:			
Student	1,069	-	1,069
Instructional staff	776	-	776
Administration	4,871	604	5,475
Operation and maintenance of plant	33,407	1,307	34,714
Transportation	3,352	9,809	13,161
Non-instructional program	1,337	-	1,337
Total expenditures	71,403	325,503	396,906
Excess of revenues over expenditures	13,716	8,892	22,608
Other financing sources:			
Operating transfers in	-	15,524	15,524
Excess of revenues and other financing sources over expenditures	13,716	24,416	38,132
Fund balances beginning of year	(4,202)	154,847	150,645
Fund balances end of year	\$ 9,514	179,263	188,777

See accompanying independent auditor's report.

Schedule 3

Lynnvile-Sully Community School District**Schedule of Changes in Special Revenue Funds, Student Activity Accounts****Year ended June 30, 2013**

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expendi- tures	Balance End of Year
Athletic Booster Club	\$ 33,939	62,949	47,647	49,241
Drill Team	1,453	2,804	3,893	364
ITED Incentives	3,591	201	203	3,589
Instrumental Resale	288	1,031	1,236	83
Vocal Concerts	183	156	242	97
Music Booster Club	4,918	7,662	5,448	7,132
Music Boosters Uniforms	937	425	625	737
Music & Drama - Trip Accts	1,497	4,203	5,700	-
Academic Booster Club	2,712	25	374	2,363
High School Annual (Yearbook)	6,031	23,493	23,168	6,356
Junior High Annual	14	-	14	-
Speech and Drama	164	2,140	2,304	-
Cheerleaders	403	1,281	975	709
Co-Ed Athletics	14,974	48,204	57,536	5,642
Boy's Basketball	5,455	4,482	7,231	2,706
Girl's Basketball	-	4,753	2,563	2,190
Football	3,409	27,096	22,763	7,742
Baseball	-	3,522	3,318	204
Cross Country	74	2,484	1,677	881
Track	557	2,499	2,200	856
Golf	-	717	717	-
Wrestling	1,493	3,333	3,141	1,685
Volleyball	2,590	2,357	4,947	-
Softball	4,966	4,281	4,749	4,498
F.C.A.	99	-	-	99
F.F.A.	15,792	17,047	18,418	14,421
National Honor Society	58	3,077	3,106	29
High School Student Council	8,614	3,901	4,962	7,553
Junior High Student Council	2,348	11,198	10,559	2,987
Class of 2112	3,048	-	3,048	-
Class of 2013	8,637	5,788	9,927	4,498
Class of 2014	6,609	5,824	5,583	6,850
Class of 2015	1,497	4,150	-	5,647
Class of 2016	-	4,453	1,223	3,230
Class of 2018	50	-	-	50
Class of 2019	664	-	-	664
Class of 2021	401	-	-	401
Class of 2022	638	-	299	339
Class of 2023	-	3,208	2,077	1,131
Spanish Club	3,537	190	261	3,466
Padlocks	985	411	950	446
Interest	2,413	217	1,676	954
After Prom Party	2,659	14,538	13,489	3,708
Math Club	3,473	6,683	7,717	2,439
Eighth Grade Banquet	494	-	-	494
Athletic Booster - LL and Soccer	2,709	19,469	15,180	6,998
Art Club	-	17,805	3,225	14,580

Schedule 3

Lynnvile-Sully Community School District**Schedule of Changes in Special Revenue Funds, Student Activity Accounts****Year ended June 30, 2013**

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expendi- tures	Balance End of Year
Hawk Talk	168	-	168	-
Jazz Band	306	1,400	502	1,204
Concession Stand	-	20,462	20,462	-
Totals	\$ 154,847	349,919	325,503	179,263

Schedule 4

Lynnville-Sully Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2013

	Capital Projects			
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 291,566	15,524	277,796	584,886
Receivables:				
Property tax:				
Delinquent	-	-	692	692
Succeeding year	-	-	113,049	113,049
Income surtax	-	-	61,567	61,567
Due from other governments	141,130	-	-	141,130
Total assets	\$ 432,696	15,524	453,104	901,324
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ -	15,524	4,156	19,680
Deferred revenue:				
Succeeding year property tax	-	-	113,049	113,049
Income surtax	-	-	61,567	61,567
Total liabilities	-	15,524	178,772	194,296
Fund balances:				
Restricted for:				
Debt service	206,280	-	-	206,280
School infrastructure	226,416	-	-	226,416
Physical plant and equipment	-	-	274,332	274,332
Total fund balances	432,696	-	274,332	707,028
Total liabilities and fund balances	\$ 432,696	15,524	453,104	901,324

See accompanying independent auditor's report.

Schedule 5

Lynnville-Sully Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts
Year ended June 30, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 380,949	-	167,070	548,019
Other	4,695	4,859	1,611	11,165
Total revenues	385,644	4,859	168,681	559,184
Expenditures:				
Current:				
Instruction				
Regular	-	-	6,234	6,234
Support services:				
Instructional staff	-	-	3,805	3,805
Operation and maintenance of plant	-	-	41,863	41,863
Other expenditures:				
Facilities acquisition	237,551	6,251	54,600	298,402
Interest and fiscal charges	2,000	-	-	2,000
Total expenditures	239,551	6,251	106,502	352,304
Excess (deficiency) of revenues over (under) expenditures	146,093	(1,392)	62,179	206,880
Other financing sources (uses)				
Casualty loss insurance proceeds	-	-	-	-
Operating transfers in (out)	(211,450)	(15,524)	-	(226,974)
Total other financing sources	(211,450)	(15,524)	-	(226,974)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(65,357)	(16,916)	62,179	(20,094)
Fund balances beginning of year	498,053	16,916	212,153	727,122
Fund balances end of year	\$ 432,696	-	274,332	707,028

See accompanying independent auditor's report.

Lynnville-Sully Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 2,665,232	2,640,252	2,543,681	2,221,322	2,188,704	2,096,135	2,030,294	1,946,651	1,601,563	1,724,141
Tuition	389,910	340,886	388,430	324,431	304,670	279,487	286,278	270,715	254,227	234,372
Other	433,543	449,665	689,309	445,758	450,751	492,107	513,387	642,764	812,954	677,403
Intermediate sources			-	-	-	-	-	-	-	-
State sources	2,199,544	2,211,193	2,070,144	1,969,635	2,152,604	2,259,724	2,198,030	2,145,914	1,847,808	1,780,259
Federal sources	119,377	219,390	159,938	375,083	202,199	175,356	185,570	113,297	148,122	118,072
Total	\$ 5,807,606	5,861,386	5,851,502	5,336,229	5,298,928	5,302,809	5,213,559	5,119,341	4,664,674	4,534,247
Expenditures:										
Instruction:										
Regular	\$ 2,034,218	1,967,837	1,920,892	2,022,810	2,016,527	1,917,943	1,794,640	1,708,092	1,588,743	1,608,616
Special	664,174	602,182	651,363	696,243	697,974	665,827	656,680	766,259	628,435	553,353
Other	685,879	666,163	627,973	642,364	656,697	580,612	559,788	401,269	707,540	605,766
Support services:										
Student	72,243	68,415	67,618	96,625	90,332	81,065	79,132	75,984	76,611	74,035
Instructional staff	177,302	111,909	88,074	122,010	87,116	112,269	69,720	110,692	91,545	85,689
Administration	612,965	586,710	575,167	557,324	548,166	575,598	554,684	490,049	484,750	475,768
Operation and maintenance of plant	402,621	341,632	362,487	415,456	388,632	380,045	388,497	313,949	292,393	303,195
Transportation	270,536	270,825	266,837	336,608	271,362	269,564	337,613	312,777	216,996	264,851
Non-instructional programs	1,337	1,085	1,144	1,015	998	1,316	788	728	1,304	5,960
Other expenditures:										
Facilities acquisition	298,402	451,239	858,020	947,445	202,495	164,212	80,031	930,616	133,660	644,711
Long-term debt:										
Principal	240,000	230,000	2,065,000	140,000	135,000	130,000	125,000	120,000	115,000	110,000
Interest and other charges	97,090	109,791	165,877	142,525	106,755	112,280	117,592	122,693	127,580	132,255
AEA flowthrough	164,038	164,846	182,815	184,704	163,657	161,343	156,987	147,838	139,489	141,990
Total	\$ 5,720,805	5,572,634	7,833,267	6,305,129	5,365,711	5,152,074	4,921,152	5,500,946	4,604,046	5,006,189

See accompanying independent auditor's report.



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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Education of Lynnville-Sully Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Lynnville-Sully Community School District, Sully, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lynnville-Sully Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lynnville-Sully Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lynnville-Sully Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lynnville-Sully Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Lynnville-Sully Community School District's Responses to Findings

Lynnville-Sully Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Lynnville-Sully Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lynnville-Sully Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

October 30, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

- A. Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in school Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to investigate alternatives to this problem.

Conclusion - Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2013, did not exceed the certified budget amounts.
2. Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions – No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
6. Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
7. Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted, however, the October 15th deadline for certifying was not met.

Recommendation – In the future, the District should ensure the enrollment data is certified timely to the Iowa Department of Education.

Response - We will attempt to comply in the future.

Conclusion - Response accepted.

8. Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

Lynnvile-Sully Community School District
Schedule of Findings
Year ended June 30, 2013

10. Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
11. Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	498,053
Revenues/transfers in:			
Sales tax revenues	\$	380,949	
Other local revenues		4,695	385,644
			<hr/> 883,697
Expenditures/transfers out			
School infrastructure construction		237,551	
Other		2,000	
Transfers to other funds:			
Debt service funds		211,450	451,001
			<hr/>
Ending balance		\$	<u><u>432,696</u></u>

For the year ended June 30, 2013, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	<hr/> Rate of Levy Reduction Per \$1,000 of Taxable Property Tax Valuation Dollars Reduced <hr/>	
Debt service levy	\$	0.60000 100,000